

LETTER FROM THE CHAIRMAN

10 April 2018

Dear Customers,

It is with great pleasure that I invite you to become a Shareholder of Theodore Water Pty Ltd. Joining this Company will enable you to realise one of the aims and greatest benefits of the transition process – increased involvement in the provision of irrigation services in the local area. I encourage you to support the transition to local management.

This Offer is the culmination of investigations into local management of SunWater's irrigation distribution networks that commenced in 2012 and the result of negotiations with the State Government over the terms of the transition. Those terms include a payment by the Government of \$15.1 million to Theodore Water that will support the ongoing financial viability of your Company.

The Board of Theodore Water unanimously recommends that you vote in favour of the Local Management Proposal and apply for your Share Entitlement. Please return your completed forms as soon as possible.

The Board considers that the Local Management Proposal presents you with an opportunity to gain local ownership and operational control of the distribution system, improve reporting transparency and accountability, increase influence over distribution system prices and crystallise uncertain future subsidies as a separation payment paid in advance.

Your Company will be a not-for-profit company run by a Board elected by local irrigator shareholders for the purpose of supplying distribution services, utilising revenue to provide services to customers and to ensure the long-term sustainability of the distribution infrastructure.

The Offer only relates to the distribution services for the Dawson channel system, with bulk water operations and supply remaining with SunWater. The Theodore weir and other bulk water assets will not be transferred.

This Offer Document contains detailed information about the Offer from Government, including Theodore Water's proposed structure, governance and management arrangements, and its proposed operations and future plans. It also outlines the potential risks associated with the Local Management Proposal which are set out in Section 6.

The Board considers it unlikely that you will receive another chance to move to local management in the foreseeable future.

The Board intends to hold an information session at 6pm on Friday, 20 April 2018 at the Theodore Hotel. I encourage you to attend the information session and to read this document carefully before making your decision.

Yours Sincerely

Malcolm Finlayson
Chair
Theodore Water Pty Ltd